

Message Text

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SUBJ: MAJOR PROJECT: CORPOZULIA STEEL AND COAL PROJECTS;
PRESIDENT PEREZ' BENEDICTION.

REF: CARACAS 1502

1. SUMMARY: IN HIS MARCH II STATE OF THE UNION MESSAGE TO THE CONGRESS, PRESIDENT CARLOS ANDRES PEREZ EMPHASIZED THE HIGH IMPORTANCE HE ATTACHES TO REGIONAL DEVELOPMENT IN ZULIA AND IN EFFECT GAVE CORPOZULIA THE FINAL GO-AHEAD TO CARRY OUT ITS AMBITIOUS STEEL AND COAL DEVELOPMENT PROJECTS. HE OUTLINED A 14-YEAR TIMETABLE FOR THE INTEGRATED STEEL MILL PROJECT AND STATED THAT AN INVESTMENT OF 9 BILLION BOLIVARS WOULD BE REQUIRED TO COMPLETE THE FIRST STAGE (1977-1982). AN ADDITIONAL 800 MILLION BOLIVARS WOULD BE REQUIRED FOR THE FIRST STAGE OF AN ACCOMPANYING COAL PROJECT (1977-1979). HIS PUBLIC SUPPORT IN THIS ADDRESS HAD BEEN DEEMED ESSENTIAL BY THE PRESIDENT OF CORPOZULIA, TO INSURE THE SUCCESS OF THE PROJECT. END SUMMARY.

(2) IN HIS THIRD ANNUAL MESSAGE TO THE NATIONAL CONGRESS, MARCH 11, 1977, PRESIDENT CARLOS ANDRES PEREZ UNDERLINED THE IMPORTANCE OF THE INTEGRATED DEVELOPMENT OF THE COAL AND STEEL INDUSTRIES IN ZULIA STATE. EMPHASIZING THE COMMITMENT OF HIS
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PAGE 02 CARACA 02717 171955Z

GOVERNMENT TO THIS PROGRAM, HE OUTLINED AT LENGTH THE BENEFITS THAT THESE PROJECTS WOULD BRING TO THE REGION AND TO THE NATION. HE PREDICTED THAT BY 1996, MANUFACTURED PRODUCTS WOULD INCREASE FROM 8.5PERCENT TO 30PERCENT OF THE REGION'S TOTAL PRODUCT, WITH THE CREATION OF 527,000 ADDITIONAL JOBS.

3. THE PRESIDENT GAVE THE FOLLOWING TIMETABLE FOR THE ZULIA STEEL

PLANT DEVELOPMENT:

(A) FIRST STAGE: BY 1982, PRODUCTION OF ONE MILLION TONS OF REBAR AND LIGHT STRUCTURALS FOR DOMESTIC USE.

(B) SECOND STAGE: BY 1986-87, BEGIN PRODUCTION OF 2.2 MILLION TONS OF FLAT PRODUCTS.

(C) THIRD STAGE: BY 1990, PRODUCTION OF AN ADDITIONAL ONE MILLIONS TONS OF STRUCTURALS AND REBAR.

4. BIDDING DATES WERE GIVEN AS FOLLOWS:

(A) BIDDING ON EQUIPMENT FOR THE FIRST STAGE TO OPEN IN THE FIRST TRIMESTER OF 1978.

(B) AWARDING OF THE BUENA PRO IN THE SECOND SEMESTER OF 1978, WITH WORK ON THE INSTALLATIONS TO BEGIN IMMEDIATELY. THE PRESIDENT CONFIRMED THAT BRITISH STEEL CORPORATION, GIVEN THEIR INTERNATIONAL REPUTATION, WOULD PERFORM A KEY ROLE IN CONSULTATIONS, INSTALLATION, AND COOPERATION WITH VENEZUELAN PERSONNEL. HE CONFIRMED BRITISH STEEL WOULD PROVIDE ASSISTANCE IN PREPARATION OF FIRST STAGE SPECIFICATIONS.

5. HE INCLUDED THE COAL DEVELOPMENT PROGRAM IN HIS DISCUSSION, STATING THAT TOTAL INVESTMENT IN THE JOINT FIRST STAGE PROGRAM WOULD BE 9.8 BILLION BOLIVARS. OF THE AMOUNT 9 BILLION WOULD GO TO THE STEEL PROGRAM THROUGH 1982 AND 800 MILLION TO THE COAL PROJECT THROUGH 1979.

6. COMMENT: DURING RECENT VISIT OF USDOC OFFICIAL AND EMBOFF UNCLASSIFIED

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PAGE 03 CARACA 02717 171955Z

TO MARACAIBO, DR. FERNANDO CHUMACEIRO, PRESIDENT OF CORPOZULIA, STATED THAT HE HOPED FOR SPECIFIC MENTION OF THE ZULIA COAL/STEEL PROJECT IN THE PRESIDENT'S SPEECH. HE FELT THAT A STATEMENT OF STRONG SUPPORT, INVOLVING MENTION OF FUNDING AND TIMETABLE, WOULD DEMONSTRATE A FIRM PRESIDENTIAL COMMITMENT TO THIS PROJECT. CHUMACEIRO FELT THAT THIS PUBLIC COMMITMENT WAS ESSENTIAL TO INSURE THAT THE PROGRAM WOULD MOVE FORWARD AS SCHEDULED UNDER CORPOZULIA'S OWN DEMANDING TIMETABLE. THE PRESIDENT'S SPEECH PROMISING AN IMMEDIATE START OF THE STEEL PROJECT THAT WILL SATISFY AN "OLD, DEEP AND JUST ASPIRATION" OF THE ZULIAN REGION, APPEARS TO MEET AND SURPASS DR. CHUMACEIRO'S HOPES. IT WOULD SEEM TO PUT TO REST RECURRING REPORTS THAT CVG-SIDOR WOULD BE ENCHARGED WITH THIS PROJECT. IN THIS REGARD HE UNDERLINED THE REGIONAL DEVELOPMENT ASPECT OF THIS PROJECT, THE NEED TO FOSTER PROJECT MANAGEMENT CAPABILITIES OUT IN THE HINTERLAND, IN CONTRAST TO THE TRADITIONAL RIGID CENTRALIZATION OF DECISION MAKING. VAKY

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